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**STATE OF IOWA  
LEGISLATIVE SERVICES AGENCY**

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**MEMORANDUM**



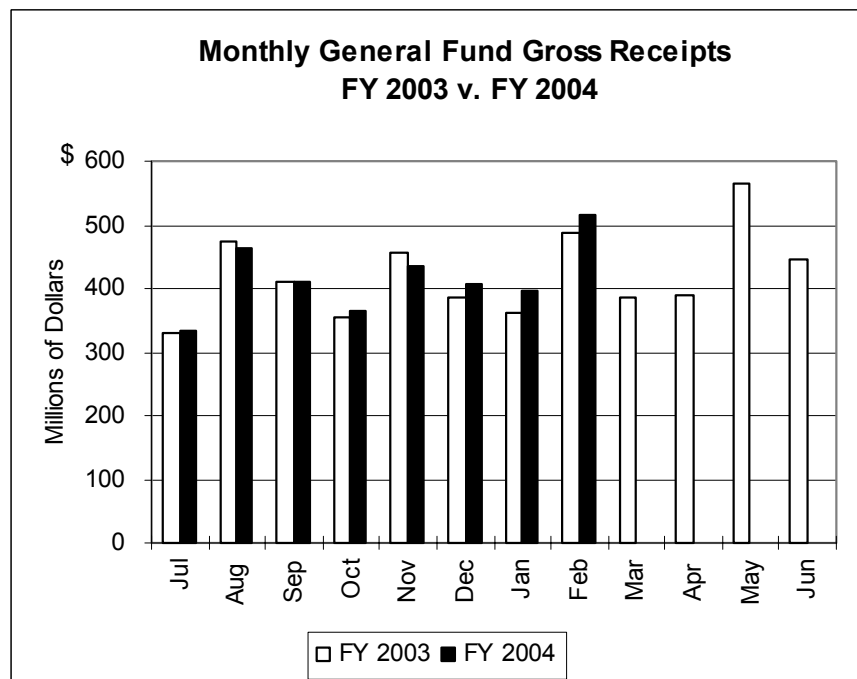
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: March 1, 2004

**Monthly General Fund Receipts through February 29, 2004**

The attached spreadsheet presents total FY 2004 monthly General Fund receipts, with comparable figures for actual FY 2003. The figures can be compared to the FY 2004 estimate of \$5.107 billion set by the Revenue Estimating Conference (REC) on December 8, 2003. The estimate represents an increase of \$60.3 million (1.2%) compared to actual FY 2003 gross cash receipts (excluding transfers). The next Revenue Estimating Conference will be held March 19, 2004.



## FY 2004 Compared to FY 2003

**Year-to-date FY 2004 total gross revenues** (excluding transfers) increased \$65.1 million (2.0%) compared to the same time period of FY 2003. Major revenue sources contributing to the change include:

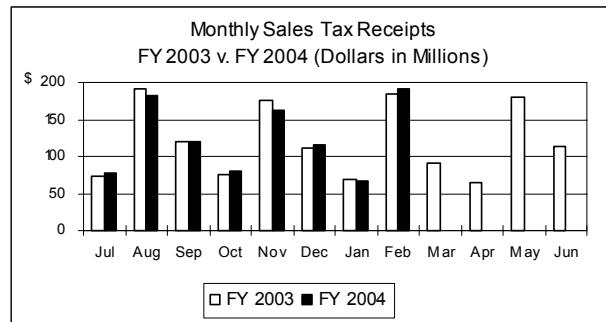
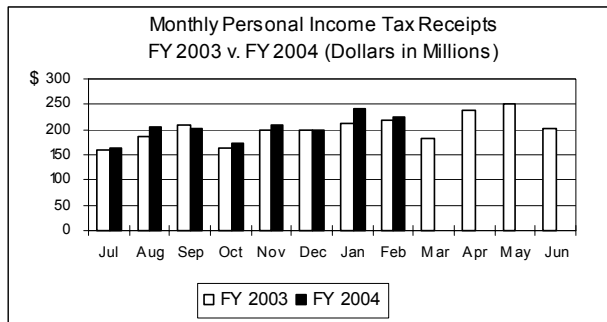
- Personal income tax (positive \$74.2 million)
- Sales & use tax (positive \$6.1 million)
- Corporate tax payments (negative \$16.1 million)
- Other taxes (negative \$3.7 million)
- Other receipts (positive \$4.9 million)

A significant portion of the projected revenue growth in FY 2004 is due to changes to unclaimed property regulations. The new revenue from this source is not expected until late in FY 2004. Therefore, FY 2004 comparisons to the REC estimate will appear lower than is actually the case until the unclaimed property proceeds are deposited to the General Fund in late spring.

**Personal income tax** revenues received in February totaled \$225.5 million, an increase of \$6.9 million (3.2%) compared to February 2003.

The FY 2004 REC income tax estimate of \$2.527 billion represents a projected increase of 4.5% compared to actual FY 2003. The year-to-date change in personal income tax receipts is 4.8%. Withholding tax payments are up 5.6% while estimated income tax payments have increased 1.0%. Payments with returns are down for the year, but are not a significant income source until late spring.

The following Chart compares FY 2004 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2003.



**Sales tax** receipts received in February totaled \$190.4 million, an increase of \$6.1 million (3.3%) compared to February 2003.

The REC estimate for FY 2004 sales tax receipts is \$1.450 billion, no change compared to actual FY 2003. The year-to-date growth in sales tax receipts is negative 0.5%.

The preceding Chart compares FY 2004 monthly sales tax receipts with FY 2003.

**Use tax** receipts received in February totaled \$32.7 million, an increase of \$9.3 million (39.9%) compared to February 2003.

The REC estimate for FY 2004 use tax receipts is \$252.9 million, a decrease of 0.5% compared to the FY 2003 level. The year-to-date growth in use tax receipts is positive 6.3%.

**Corporate tax** receipts received in February totaled \$16.7 million, a \$7.9 million increase (89.5%) compared to February 2003. The REC estimate for FY 2004 corporate tax receipts is \$180.1 million, which represents a

decrease of 24.0% compared to actual FY 2003. The year-to-date growth in corporate tax receipts is negative 11.3%.

**Other tax** receipts received in February totaled \$28.4 million, a \$4.0 million (- 12.4%) decrease compared to actual FY 2003. Inheritance, insurance, and franchise (banking) tax receipts were down for the month, while cigarette and tobacco tax receipts were up.

The REC estimate for FY 2004 receipts from other taxes is \$355.2 million, which represents a decrease of 5.6% compared to actual FY 2003. The year-to-date growth in other taxes is negative 2.2%.

**Other receipts** (non-tax receipts) received in February totaled \$22.2 million, a \$1.6 million (7.7%) increase compared to actual FY 2003.

The REC estimate for FY 2004 other receipts is \$341.2 million, which represents an increase of 9.5% compared to actual FY 2003. The year-to-date growth in other receipts is 2.2%. The increase was due to the transfer of Area Education Agency (AEA) balances to the General Fund during December. Much of the projected revenue increase (unclaimed property) in other receipts is not expected until late spring 2004.

### Status of the Economy

Iowa and national employment reports are not due for release until March 4. The following information relates to the December employment situation.

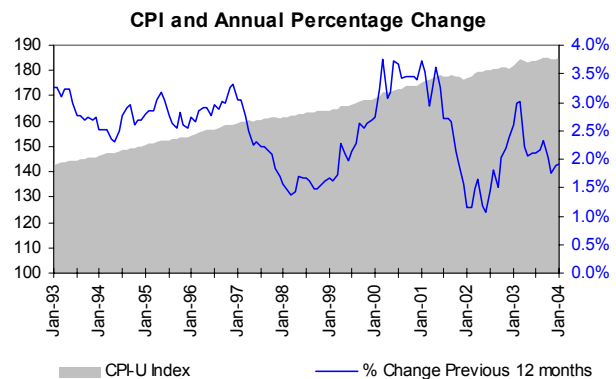
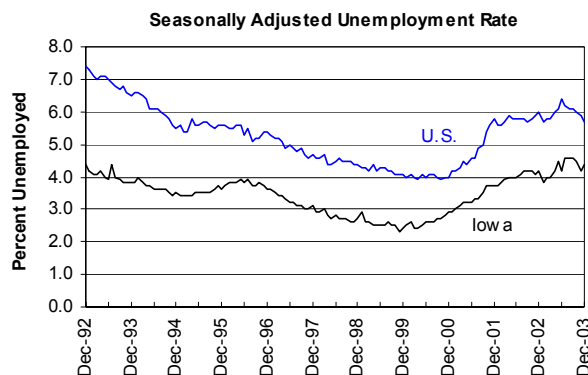
The December seasonally adjusted Iowa civilian unemployment rate was 4.4%, 0.2% higher than the November 2003 level and 0.2% higher than the level one year ago. Iowa's total adjusted December 2003 employment registered at 1,562,000, down 45,400 from last year's level. The seasonally adjusted employment numbers for 2003 and prior years are due to be revised (benchmarked) in early 2004. It is probable the large employment drop shown in current numbers will disappear when the benchmarking procedure is complete.

The number of unemployed persons in Iowa was reported at 71,200 in December, an increase of 1,400 compared to December 2002. A processing day issue impacted the 2003 numbers and likely was the cause of the increase.

The U.S. unemployment rate in December 2003 was 5.7%, 1.3 percentage points above the Iowa rate. The U.S. rate one year ago was 6.0%.

Consumer prices increased 0.5% during the month of January (not seasonally adjusted), the first increase in prices in four months. The Consumer Price Index (CPI-U) through January 2004 was 185.2 (1983/84=100), 1.9% higher than one year ago.

The following charts illustrate Consumer Price Index (through January) and U.S./Iowa unemployment (through December) comparisons.



Information related to State General Fund receipts is available on the Fiscal Services Division's web site at:  
<http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2003 vs. FY 2004 July 1 through February 29, in millions of dollars Dollars may not add due to rounding					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 03 Actual Compared to FY 04 REC Estimate		
	FY 2003	FY 2004	Year to Date % CHANGE	February % CHANGE	Actual FY 2003	Estimate FY 2004	Projected % CHANGE
Personal Income Tax	\$ 1,544.2	\$ 1,618.4	4.8%	3.2%	\$ 2,417.6	\$ 2,527.2	4.5%
Sales Tax	1,001.2	996.2	-0.5%	3.3%	1,450.3	1,450.4	0.0%
Use Tax	175.6	186.7	6.3%	39.9%	254.2	252.9	-0.5%
Corporate Income Tax	142.3	126.2	-11.3%	89.5%	237.0	180.1	-24.0%
Inheritance Tax	61.9	53.6	-13.4%	-28.3%	88.1	76.7	-12.9%
Insurance Premium Tax	16.8	19.6	16.7%	-11.7%	142.2	130.0	-8.6%
Cigarette Tax	57.7	56.5	-2.1%	1.4%	88.1	86.3	-2.0%
Tobacco Tax	5.0	5.4	8.0%	33.7%	7.4	7.5	1.4%
Beer Tax	9.5	9.5	0.0%	-3.6%	13.9	14.0	0.7%
Franchise Tax	18.6	21.4	15.1%	-25.3%	35.3	39.2	11.0%
Miscellaneous Tax	1.7	1.5	-11.8%	-15.7%	1.1	1.5	36.4%
Total Special Taxes	\$ 3,034.5	\$ 3,095.0	2.0%	5.6%	\$ 4,735.2	\$ 4,765.8	0.6%
Institutional Payments	12.4	7.9	-36.3%	-51.2%	16.2	14.6	-9.9%
Liquor Transfers - Profits	26.5	28.5	7.5%	0.0%	40.0	42.0	5.0%
Liquor Transfers - 7% Revenues	6.0	6.0	0.0%	0.0%	9.0	9.0	0.0%
Interest	14.1	5.0	-64.5%	-49.6%	18.1	12.0	-33.7%
Fees	47.4	54.0	13.9%	80.1%	72.1	66.2	-8.2%
Judicial Revenue	31.7	33.6	6.0%	-1.7%	54.7	57.3	4.8%
Miscellaneous Receipts	26.5	34.5	30.2%	-12.5%	41.4	80.1	93.5%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 3,259.1	\$ 3,324.5	2.0%	5.7%	\$ 5,046.7	\$ 5,107.0	1.2%